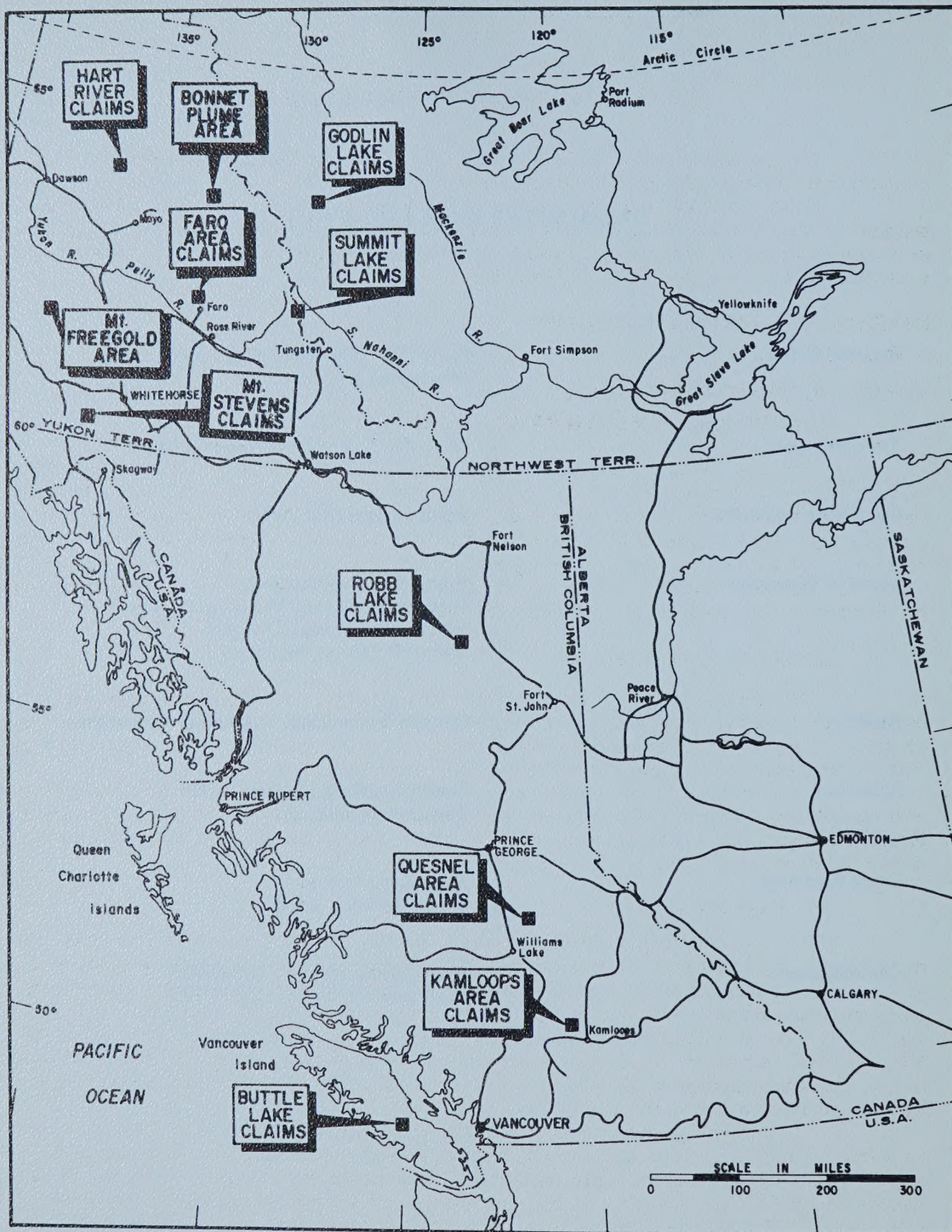


CREAM SILVER MINES LTD. (N.P.L.)

Registered Office:	Suite 202 - 900 West Pender Street, Vancouver, B.C. V6C 1L1
Transfer Agent:	Guaranty Trust Company of Canada
Consulting Engineers:	Agilis Engineering Ltd.
Board of Directors:	Frank A. Lang, President Richard W. Hughes, Managing Director Gardner S. Eldridge, Director Valerie S. McKee, Secretary
Auditor:	Morgan & Company, Chartered Accountants
Solicitors:	DuMoulin, Black, Brazier & Hall Barristers & Solicitors
Stock Exchange:	Vancouver - Listed Ticker Symbol - CEM
Capitalization:	Shares authorized: 3,000,000 Shares outstanding: 2,157,792



CREAM SILVER MINES LTD. (NPL) PROPERTY LOCATION MAP

JUNE, 1974

CREAM SILVER MINES LTD.

[N.P.L.]

ANNUAL REPORT TO SHAREHOLDERS

We present herewith the 1974 Annual Report of your Company together with Financial Statements and Auditor's Report for the year ended March 31, 1974.

Your Company is keeping active in many areas. In particular is a diamond drilling program in Mexico concurrent with this report, a number of proposed diamond drilling programs in Yukon this summer, and a major exploration program for gold under a joint venture agreement with Western Mines Ltd. and Belmoral Mines Ltd.

MINERAL EXPLORATION PROPERTIES

YUKON—NORTHWEST TERRITORIES

HOWARD PASS — SELWYN BASIN — SUMMIT LAKE

Still considered the area with the most potential for a major strataform lead-zinc deposit, work is commencing this month to follow up last year's discovery on the Ross group of mineral claims adjacent to Placer Development Ltd's lead-zinc discovery. Four large coincident lead-zinc anomalies with values in excess of 5000 parts per million in the soil have been located in the north-west corner of the claims. They are on the limb of a large anticlinal structure which appears to be related to Placer's discovery a mile or so east. Detailed geological studies will locate precise targets for diamond drilling expected to commence early July.

BONNET PLUME AREA

The Bonnet Plume - "Barrier Reef" Area has developed a lot of interest due to the discovery of extensive mineralization of relatively high-grade zinc in a belt reported to be about 35 miles in length. Other companies have reported zinc showings and to date at least 12 widely separate occurrences of zinc-lead mineralization have been reported.

Due to the attractiveness of this prospect your Company obtained a 100% interest in a well located group of claims covering a portion of the eastern extension of the favorable rock types. An initial exploration program which commenced early this month is to be followed up by diamond drilling if warranted by field results.

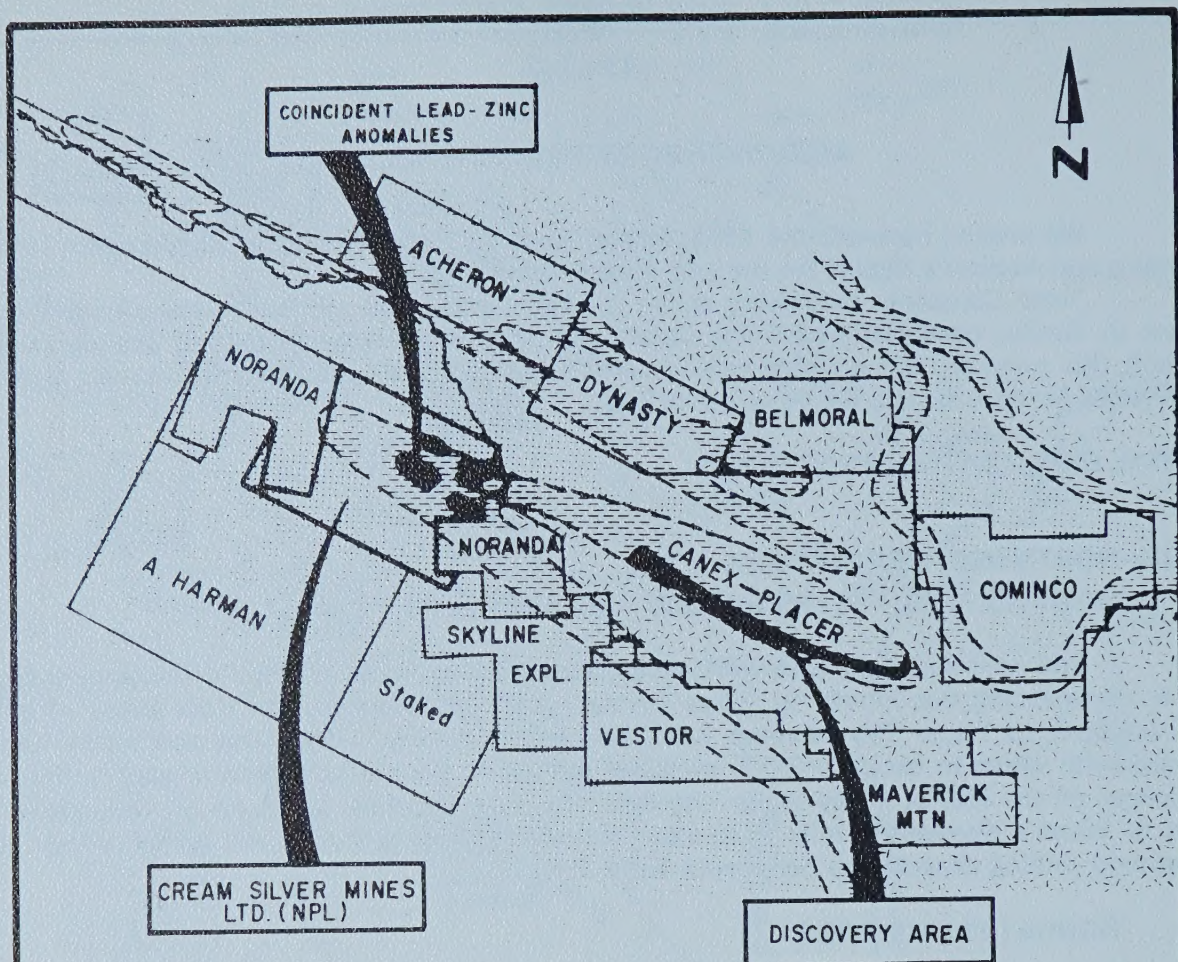
MT. FREEGOLD AREA

Another area of considerable interest, the Mt. Freegold area near Carmacks, Yukon has suddenly acquired new interest due to the discovery of 'free' gold in magnetite deposits as well as in vein and placer deposits. Former producing gold mines in the area are being re-examined for possible reopening and a number of companies are commencing exploration programs.

Following news of the discovery of free gold in magnetite, five groups of claims totalling 133 in all were staked by the Carmacks Syndicate to cover known magnetic anomalies as reported by the Geological Survey of Canada. Two of the groups are adjacent to the discovery area and all are very favourably located geologically.


As of writing your Company is negotiating jointly with Belmoral Mines Ltd. an option to acquire a 90% interest in these claims, subject to Vancouver Stock Exchange approval. Subsequently, by letter of intent, sixty percent of Cream-Belmoral's interest will be transferred to Western Mines Limited, such that all three companies will finance the acquisition and exploration of the above 133 claims on a 60% Western - 40% Cream-Belmoral basis and have a like interest in the venture, with management control by Western Mines Ltd.

The 1974 program which is to be started immediately will be conducted by Agilis Engineering Ltd. A minimum commitment of \$30,000 is required, but may be exceeded if satisfactory results are obtained.




LEGEND


DEVONIAN


 Black shale and argillite; minor brown sandstone

UPPER ORDOVICIAN

 Black graptolitic shale, argillaceous limestone; minor black chert

ORDOVICIAN

 Sandy dolomite; fine grained limestone

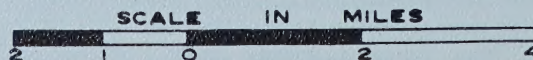
 Geological contact

CREAM SILVER MINES LTD. (NPL)

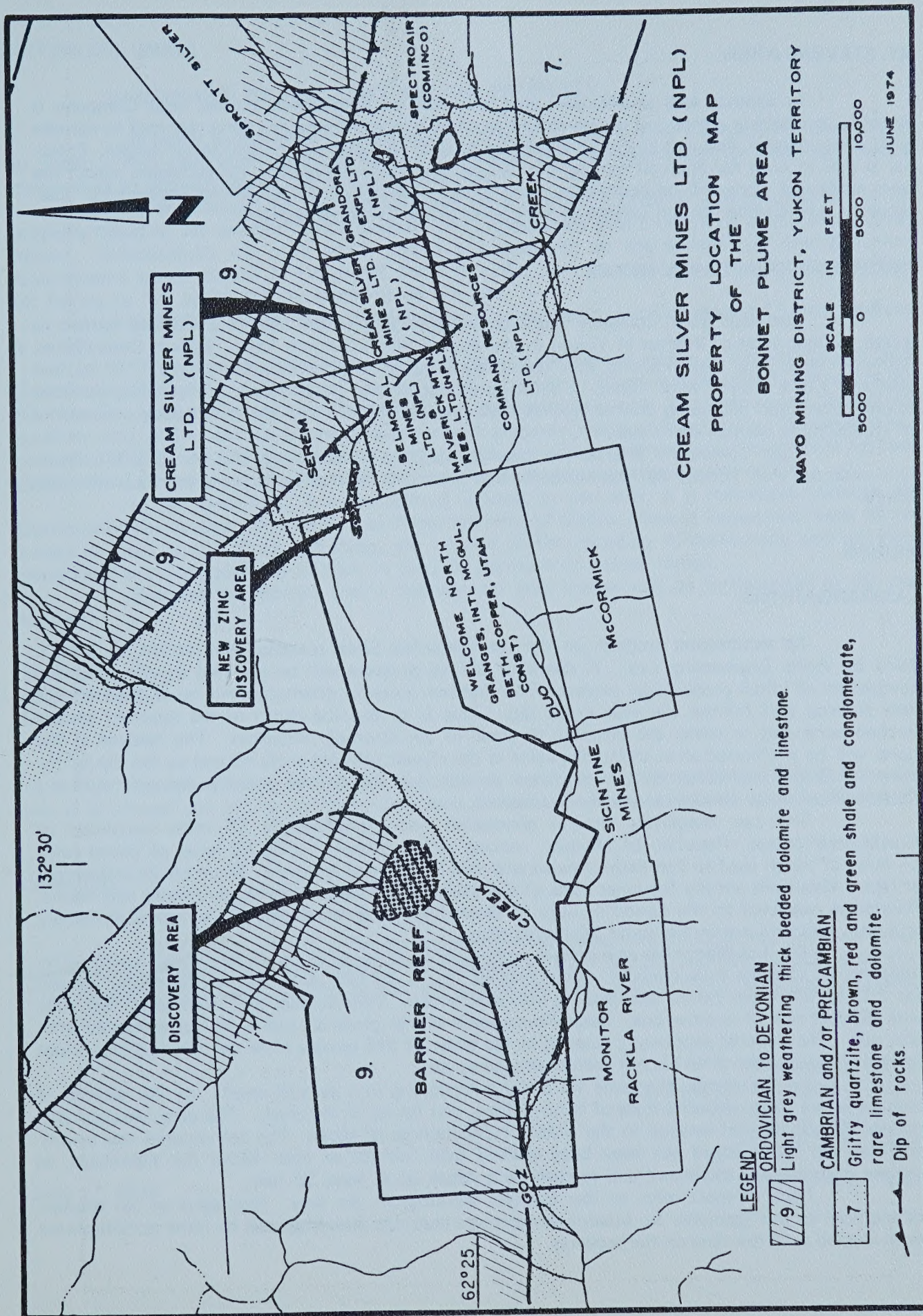
GENERAL GEOLOGY & PROPERTY MAP OF THE

HOWARD PASS AREA

YUKON & NORTHWEST TERRITORIES



JUNE 1974



MT. STEVENS AREA

In another well known gold area southwest of Whitehorse, Yukon, your Company is planning to examine a group of claims staked to cover a large mineralized zone reported to contain gold, silver, copper, lead and zinc over widths up to sixty feet and up to 5000 feet in length. Potential is said to exist for open-pit mining if sufficient ore can be developed. No geological report has been made and work will be contingent upon initial examination by Agilis Engineering Ltd. The property is held under option subject to Vancouver Stock Exchange approval.

TRIDENT RESOURCES INC. (N.P.L.)

Last year your Company participated as to 22% in the Selwyn Syndicate formed to search for new areas of interest in Yukon in the vicinity of the Summit Lake - Selwyn Basin claims. Attracted by a large rusty looking area, gold-bearing quartz veins with values up to 0.124 oz./ton gold and 1.82% copper were found. Following this discovery, geochemical soil sampling outlined several strong and promising zinc anomalies with one up to 5200 feet in length having peak values of 16,200 parts per million in zinc.

Your Company's interest has been vended to Trident Resources for 230,760 shares. It is expected that Trident will commence further work on this very attractive property in the near future.

MEXICO

LAS MARGARITAS

An exploration program on the Las Margaritas Silver prospect was started on June 3, 1974 by Agilis Engineering Ltd. A diamond drilling program will be initiated shortly following completion of initial geochemical surveys. The first two holes for orientation will be drilled from the vein outcrop and follows the vein down dip. This is to test the depth of the reported surface leached zone and to check the variation in grade in the down-dip direction. The balance of the holes will be positioned so as to cut the veins at the closest possible angle normal to the dip of the veins. Probably two holes will be completed at each drill station; the objective being to outline a maximum potential tonnage as quickly as possible.

The Las Margaritas mineral concession lies approximately 50 miles northwest of Guadalajara, Jalisco, Republic of Mexico. Access to the property is by 45 miles of paved road, 24 miles of rough road to San Pedro Analco and then 5½ miles of muletrail. Small creeks and springs at higher elevations are dry for most parts of the year but the major streams carry water year round. Rainfall is restricted to the period of July to December. The remainder of the year is extremely arid with temperatures in the above 70 degree range.

The Las Margaritas vein system consists of three veins up to 45 feet wide, separated by 150 feet of volcanic rock material. Vein number one is 30 feet wide and can be traced visually for 800 to 1000 feet before disappearing into overburden. Vein number two is 30 to 40 feet wide and 150 feet east of number one. Several mule loads of high grade ore reportedly were shipped from this vein. The material supposedly assayed in the order of 245 ounces silver per ton and low values in gold. Vein number three has not been examined as yet.

To the north, the same veins are outcropping in a parallel creek. In this vicinity, a high-grade ore piece, showing signs of hand drilling, was found in the creek. The piece was approximately 60 pounds and assayed in the order of 250 ounces of silver. The ore material was mainly sulfides, and hence could not have been derived from surface or even above the watertable, as surface outcrops are weathered and leached to a depth of at least 30 feet.

Local farmers refer to lost Spanish workings in the area. Remnants of old roasters dating back to the Spaniards are present downstream from the showings, but no mine workings have been located as of this date on the property.

BRITISH COLUMBIA

VANCOUVER ISLAND – BUTTLELAKE PROPERTY

As noted in our letter to shareholders of May 10, 1974, your Company has been unable to obtain a Park-Use-Permit to allow further exploration and development of its gold-silver mineral claims next to Western Mines Ltd. in Strathcona Park.

At the request of the Parks Branch we submitted a price of \$19,500,000.00 for the property based on ten percent of our estimate of its gross value plus a return of public shareholders money. Subsequently the government placed a moratorium on the payment of fees and work requirements on all claims in Provincial Parks in order that we would not be unduly penalized for having to live up to the requirements of the Act.

A further letter from the Minister of Recreation and Conservation, Jack Radford, is as follows:-

"The disposition of mineral claims in Strathcona Park, as well as in other parks, has been under intensive joint study by my Department, Department of Mines and Petroleum Resources and the Environment and Land Use Committee. Considerable progress has been made in defining problem areas and a solution to the matter has been proposed and is under scrutiny. It would be premature to disclose details of these studies or to make any commitment until sufficient time has been allowed the task group to complete its findings and make recommendations to my office.

In the meantime, it is perhaps of interest to you that, as a reasonable measure, the Government has declared that holders of Recorded Mineral Claims, Mineral Leases and Placer Mining Leases situated within Provincial Parks, are relieved of the necessity of performing and recording assessment work, or payment of cash in lieu, or payment of annual rental.

You can be assured that a decision on your claims will be forthcoming in the near future."

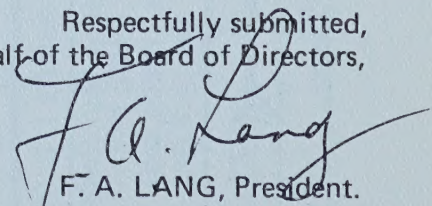
Yours sincerely,
Jack Radford,
Minister

As much as we would like to continue work on other properties in British Columbia, this is of course out of the question until such time as the above problem is settled satisfactorily.

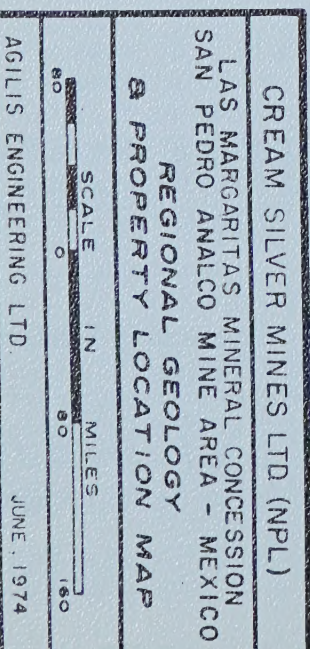
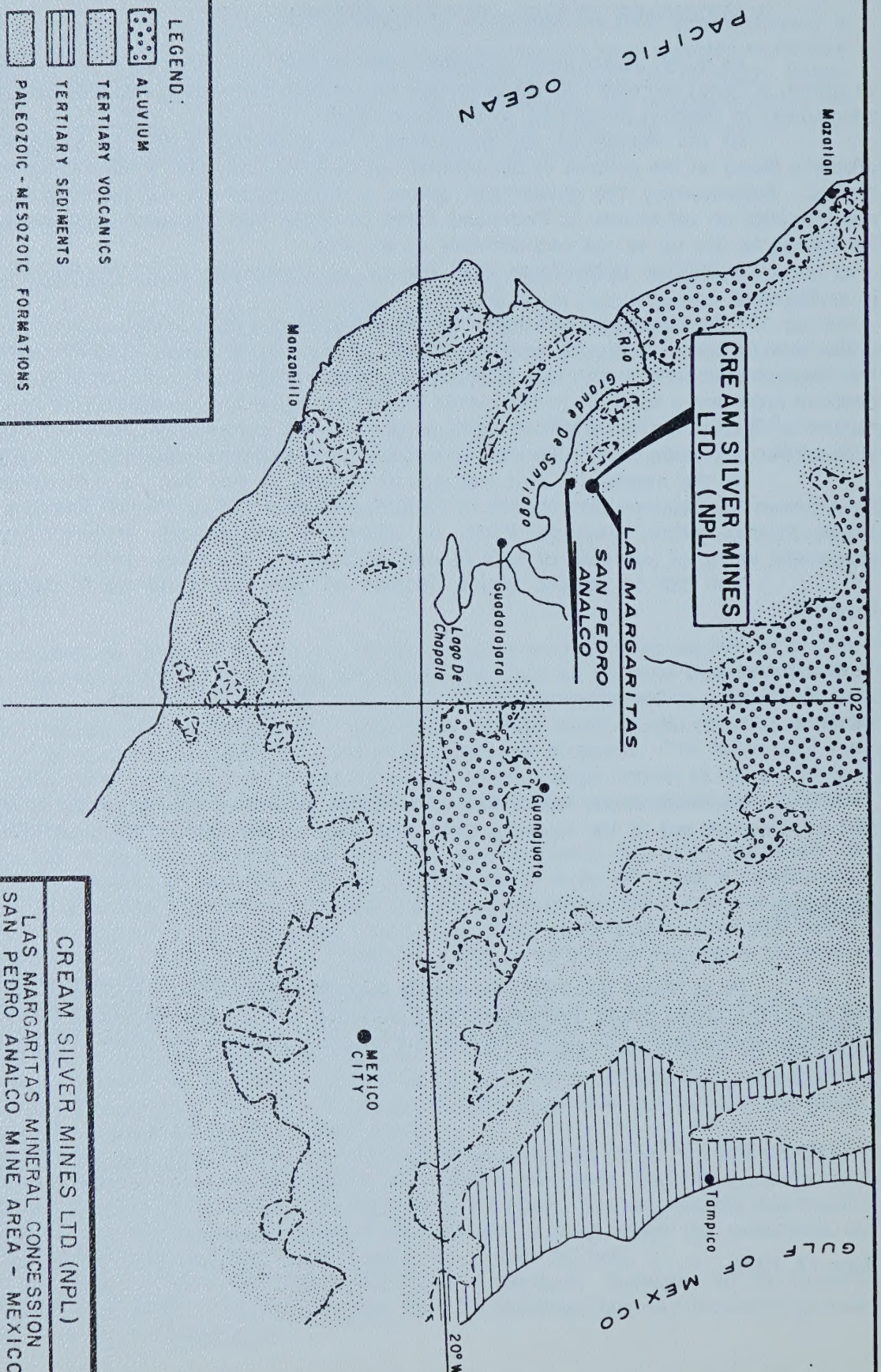
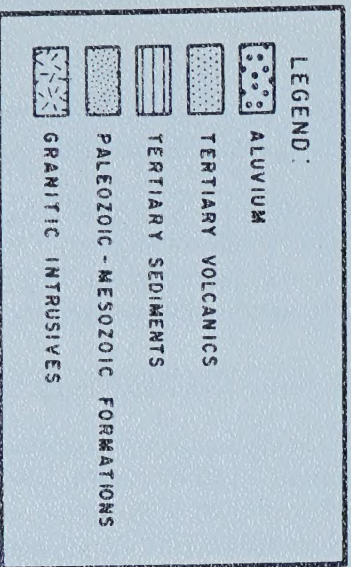
GENERAL

As at March 31, 1974, the market value of our investment in 30,000 ozs. of silver bullion and an 80,000 Swiss Franc time deposit had increased to \$157,650.00, and \$28,302.92 respectively. This represents a gain of \$116,125.35 over the original purchase price of \$47,190.00 and \$22,637.57.

Respectfully submitted,
On Behalf of the Board of Directors,


F. A. LANG, President.

June 17, 1974



Morgan & Company

Chartered Accountants

1210-675 West Hastings Street
Vancouver 1, British Columbia
Telephone (604) 687-5841

John F. Morgan
Tor B. Barth
Lorne M. Beauchamp

AUDITORS' REPORT

The Shareholders
Cream Silver Mines Ltd.
(Non-Personal Liability)
Vancouver, Canada

We have examined the balance sheet of Cream Silver Mines Ltd. (Non-Personal Liability) as at March 31, 1974 and the statements of deferred exploration and administrative expenditure, deficit and of source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1974 and the results of its operations and the source and application of its funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
June 7, 1974


Chartered Accountants

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

BALANCE SHEET

MARCH 31, 1974

(With comparative figures as at March 31, 1973)

ASSETS

	<u>1974</u>	<u>1973</u>
CURRENT ASSETS		
Cash	\$ 1,236.48	\$ 1,120.21
Bank term deposit		60,000.00
Accounts receivable	9,928.04	584.25
Investment in securities, at cost plus accrued interest (Note 1)	91,083.42	86,219.22
Advance for purchase of securities (Note 2)	15,000.00	15,000.00
Due from director	981.45	1,327.06
	<u>118,229.39</u>	<u>164,250.74</u>
INVESTMENT IN SHARES OF TRIDENT RESOURCES INC. (Note 3)	<u>8,380.00</u>	
EXPLORATION, OFFICE AND AUTOMOTIVE EQUIPMENT, at cost	9,968.40	9,129.31
Less accumulated depreciation (Note 4)	5,088.90	3,095.22
	<u>4,879.50</u>	<u>6,034.09</u>
INTEREST IN LIBRARY OF MINING BOOKS, at cost	<u>1,000.00</u>	
INTERESTS IN MINERAL PROPERTIES, at cost less recoveries (Note 5)	<u>181,056.92</u>	<u>126,693.59</u>
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURE, per attached statement	<u>275,473.70</u>	<u>259,884.74</u>
OTHER ASSETS		
Deposit on application for prospecting permit in the Northwest Territories		18,000.00
Incorporation costs	890.74	890.74
	<u>890.74</u>	<u>18,890.74</u>
	<u>\$ 589,910.25</u>	<u>\$ 575,753.90</u>

See accompanying Notes to Financial Statements

Approved on behalf of the Board

...  ... Director

...  ... Director

LIABILITIES

	1974	1973
CURRENT LIABILITIES		
Bank overdraft	\$ 6,558.86	\$ 7,747.99
Bank demand loan 10.5% (1973 - 7%) - including accrued interest	5,025.89	23,064.15
Accounts payable	5,958.08	4,311.81
Due to director, including accrued salary	<u>4,565.57</u>	<u>7,756.00</u>
	<u>22,108.40</u>	<u>42,879.95</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL		
Authorized		
3,000,000 shares of 50¢ par value per share		
Issued (Note 6)		
1,381,292 shares for cash (1973 - 1,181,292 shares)	690,646.00	590,646.00
Less discount and commission	<u>193,272.25</u>	<u>173,272.25</u>
	<u>497,373.75</u>	<u>417,373.75</u>
776,500 shares for mineral claims		
(1973 - 727,500 shares)	388,250.00	363,750.00
Less discount	<u>271,595.00</u>	<u>267,725.00</u>
	<u>116,655.00</u>	<u>96,025.00</u>
<u>2,157,792</u> shares (1973 - 1,908,792 shares)	<u>614,028.75</u>	<u>513,398.75</u>
CONTRIBUTED SURPLUS		
Proceeds from sale of donated shares	<u>2,340.00</u>	<u>2,340.00</u>
DEFICIT, per attached statement	<u>(48,566.90)</u>	<u>17,135.20</u>
	<u>567,801.85</u>	<u>532,873.95</u>
	\$ <u>589,910.25</u>	\$ <u>575,753.90</u>

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1974

1. The investment consists of the following securities:

Certificate for 30,000 oz. of silver (Market value \$ 157,650.00)	\$	47,190.00
Time deposit for Sw. Frs. 84,679.44, 5% due October 19, 1974 - including accrued interest to March 31, 1974 (Sw. Frs. 1,885.87) (Market value \$ 28,302.92)		22,637.57
100,000 escrowed shares of Belmoral Mines Ltd. (N.P.L.)	\$	1,294.35
35,000 free shares of Belmoral Mines Ltd. (N.P.L.) (Market \$ 9,110.00)		4,200.00
12,500 free shares of Grandora Explorations Ltd. (N.P.L.) (Market \$ 1,500.00)		2,750.00
25,000 free shares of Juniper Mines Ltd. (N.P.L.) (Market \$ 5,250.00)		2,750.00
12,500 free shares of Spirit Explorations Ltd. (N.P.L.) (Market \$ 1,500.00)		5,136.50
25,000 free shares of Toronado Development Corp. Ltd. (N.P.L.) (Market \$ 3,500.00)		<u>5,125.00</u>
		<u>21,255.85</u>
	\$	<u>91,083.42</u>

2. As at March 31, 1974 the Company had advanced \$ 15,000.00 to Abadon Holdings N.L. (an Australian company engaged in mining exploration) for 50,000 shares to be issued by that company.
3. The investment consists of 83,800 free shares of Trident Resources Inc., a public company in which Cream Silver Mines Ltd. (N.P.L.) also beneficially owns 146,960 escrowed shares representing together a 22.9% interest in that company which holds certain mineral claims in the Yukon and Northwest Territories.
4. Depreciation for the year has been recorded on the Company's equipment at 20% of original cost values.
5. The Company has the following interests in mineral properties:
- a) Vancouver Island claims, Alberni Mining Division, Province of British Columbia.

These claims, including some acquired under a purchase agreement and others subsequently staked, are owned by the Company and are located within a class "B" park under the Park Act of the Province of British Columbia. The Company holds through Western Mines Ltd. a Special Use Permit allowing prospecting and

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1974

a) Cont'd.

exploration on a portion of the claims. The claims were acquired under the purchase agreement for the following consideration:

690,000 shares of the Company - attributed value	\$ 86,250.00	
Cash	<u>15,000.00</u>	\$ 101,250.00

Under an option agreement to acquire a possible 70% interest in the majority of these claims Western Mines Limited has paid to the Company \$ 10,000.00 cash and expended over \$ 100,000.00 on exploring and developing the claims before failing to comply with the terms of the agreement. By subsequent letters of agreement the original option agreement was renewed and the terms altered to provide for the postponement of Western Mines' financial commitments for the years 1973 and 1974 and to include in the agreement 53 claims only.

The original option agreement called for the following cash commitments by Western Mines Limited:

1. Cash payments to Cream on July 1, 1973 - 1975 inclusive	\$ 30,000.00	
2. Expenditures to be made on the property:		
Before December 31, 1973	\$ 200,000.00	
Before December 31, 1974	200,000.00	
Before December 31, 1975	<u>250,000.00</u>	
		<u>650,000.00</u>
Total additional consideration	\$ <u>680,000.00</u>	

The costs of the claims staked subsequent to the original purchase agreement have been included with the deferred exploration expenditures.

Regarding the balance of these claims, which are not subject to the above agreement, the Government of British Columbia, while having granted a moratorium on the payment of further fees and work requirements to keep the claims in good standing, has not extended the Company's Special Use Permit for carrying out exploration on the claims.

Forward

\$ 101,250.00

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1974

5. a) Cont'd. Forward \$ 101,250.00

For this reason, and at the request of the Provincial Government, the Company has submitted a claim for the recovery of the cost of and expenditures on the claims and compensation for estimated lost potential revenue from the claims in the case that the permit is not renewed. The total amount claimed by the company is \$ 19,500,000.00. The Company has not yet had a reply from the Provincial Government regarding this claim and no provision has been made in the financial records of the Company for such claim since the outcome of this action is presently uncertain.

b) Hart River area claims, Mayo Mining District, Yukon Territory.

These claims (ROSE, JOHN RY group) are owned by the Company and were acquired partly by staking and partly by purchase from Belcarra Explorations Ltd. (N.P.L.) for the following consideration:

- | | |
|---|-----------------|
| 1. 10,000 free shares of Cream Silver Mines Ltd. (N.P.L.) | |
| - attributed value | \$ 1,000.00 |
| 2. Staking costs - cash | <u>4,168.59</u> |

5,168.59

c) Pelly and Nahanni Rivers area, Watson Lake Mining District, Yukon Territory.

Approximately 100 claims (YUK and PAT groups) were originally staked on behalf of the Company and Acheron Mines Ltd. (N.P.L.), each company having a $\frac{1}{2}$ interest in the claims. The costs of the staking have been included as deferred exploration expenditures.

Under an agreement with Spirit Explorations Ltd. (N.P.L.) Acheron and Cream have agreed to sell a 90% interest in 63 of these claims for the following consideration:

- | | |
|--|-----------------|
| 1. Cash (\$ 2,600.00 to each company paid) - \$5,200.00 | \$ 2,600.00 |
| 2. 100,000 shares of Spirit Explorations Ltd. (N.P.L.)
(50,000 shares to be issued to each company - 12,500
shares issued to each to date - deemed value
\$ 5,625.00) | <u>5,625.00</u> |
| 3. Performance of a first-stage exploration programme
during the 1973 exploration season - no dollar
amount specified. If more than \$100,000.00 is expended
on developing the claims by Spirit the vendors have the
right to purchase back from the purchaser a 10% interest
in the claims for 10% of the amount expended on the
claims | |

Forward

\$ 8,225.00

\$ 106,418.59

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1974

5. d) Cont'd. Forward \$ 6,825.00 \$ 106,418.59

3. 50,000 shares of Juniper Mines Ltd. (N.P.L.)
(25,000 each to Acheron and Cream have been issued
at deemed value of \$ 2,750.00) 2,750.00
4. Completion and recording by December 31, 1973 of
two years assessment work on the claims (work
completed)
5. Performance of an exploration programme up to a
maximum of \$ 200,000.00 before December 31, 1976.
The interest of the purchasers in the claims may
diminish depending on the amount of expenditures
incurred by them on the claims if less than
\$ 200,000.00 is incurred.

\$ 9,575.00

If more than \$ 200,000.00 is expended on the claims
before December 31, 1977; the vendors have the right to
purchase back up to a 20% interest in the claims for
20% of the amount expended on the claims.

Under an agreement with Minas de Cerro Dorado Ltd.
(N.P.L.), Acheron and Cream have agreed to sell a 90%
interest in another 49 of these claims for a total
cash consideration of \$ 4,900.00 (\$ 2,450.00 to each company
recorded as receivable)

\$ 2,450.00

A royalty of 2½% of any net smelter returns has been
reserved to each of the vendors.

Under an agreement with Maverick Mountain Resources Ltd.
and Ramid International Ltd. Acheron and Cream have
granted an option to transfer a 90% interest in another
40 of these claims for the following consideration:

1. Cash - \$ 3,900.00 (\$ 1,900.00 received by Cream) \$ 1,900.00
2. 100,000 shares of Ramid International Ltd.
3. Performance of an exploration programme of
\$ 23,000.00 on the claims.

The 100,000 shares of Ramid International have not been
received and under the terms of the agreement the option
may be considered as terminated.

Forward

\$ 106,418.59

MARCH 31, 1974

5. Cont'd.	Forward	\$ 106,418.59
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- e) Pelly River area, Watson Lake Mining District, Yukon Territory
Under an option agreement the Company will acquire a 90% undivided interest in the ROSS group of claims for the following consideration:

- | | | |
|--|-----------------|-----------|
| 1. Cash (paid) | \$ 12,000.00 | |
| 2. Shares - 20,000 issued at an attributed value of | <u>6,400.00</u> | 18,400.00 |
| 3. Additional cash to be paid and shares to be issued: | | |

	Cash	shares
On or before August 15, 1974	\$ 15,000.00	10,000
On or before August 15, 1975	25,000.00	25,000
	<u>\$ 40,000.00</u>	<u>35,000</u>

- f) Sundry claims, Kamloops Mining Division,
Province of British Columbia.

1. DV claims group (Tranquille ares)

These claims were acquired for a net cash consideration of 2,400.00

Additional staking costs have been included with the deferred exploration expenditures.

- ## 2. COPPER claims group

These claims were acquired for cash - \$ 1,000.00 3,400.00

- g) Quesnel and Maeford Lake area claims, Cariboo Mining Division, Province of British Columbia.

The Company has acquired a 75% interest in these claims (LAM claims group) for a cash consideration of	1,500.00
--	----------

- h) Robb Lake area claims, Liard Mining Division, Province of British Columbia.

The Company has acquired a one third interest in the TRIM claims for the following consideration:

- | | | |
|--|-----------------|----------|
| 1. 17,500 shares of the Company - attributed value | \$ 5,075.00 | |
| 2. Cash | <u>1,600.00</u> | |
| | | 6,675.00 |

The Company has also acquired a 45% interest in the INBE claims group for the following consideration:

- | | | |
|---|-----------------|----------|
| 1. 4,000 shares of the Company - attributed value | 1,480.00 | |
| 2. Cash | <u>1,200.00</u> | |
| | | 2,680.00 |

Forward	\$ 139,073.59
---------	---------------

\$ 166,056.92

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1974

5. Cont'd.	Forward	\$ 166,056.92
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1) Fiji Islands, South Pacific.

The Company had advanced cash of \$ 15,000.00 presently representing a 45% interest in an exploration syndicate formed for exploration in the Fijian Islands in the South Pacific. The current status of this exploration programme has not yet been advised.

15,000.00

\$ 181,056.92

Subsequent to the date of the balance sheet the Company executed further property agreements as follows:

a) Mt. Steven's area Whitehorse Mining District,
Yukon Territory.

The company will acquire the EB claims group under an option agreement for \$ 27,500.00 cash and the issue of 200,000 shares. The Company has also undertaken to keep the claims in good standing during the term of the agreement and has to decide to pay further consideration before the claims are placed on commercial production as follows:

- 1) 50,000 shares of the company or 50,000 shares of a new company to be incorporated and into which the claims will be transferred. (Such new company not to have an issued capital of more than 3,000,000 shares without the written consent of the optionor and the optionee to be issued 750,000 vendors' shares of the new company) or
- 2) \$ 250,000 - cash or
- 3) \$ 1,000,000 - cash payable out of a 5% net smelter return from the claims

b) San Pedro Analco Region, Jalisco, Mexico.

The company has been assigned a 40% interest in an option agreement to acquire the Las Margaritas mineral claim for the following consideration:

1. Reimbursement of assignors' costs - \$ 2,500.00
2. Commitment to assume 40% of the obligations under the original option agreement which total obligations are as follows:

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

MARCH 31, 1974

5. Cont'd.

- a) Cash at various intervals before February 18, 1976 - \$ 35,000.00
- b) By February 28, 1976 elect to either
 - 1. Pay optionor cash - \$ 200,000.00
or
 - 2. Pay optionor up to \$ 2,000,000.00 out of 5% net smelter returns from the claims or otherwise to provide for minimum annual payments of \$ 25,000.00
- 3. Keep the claims in good standing during the term of the agreement.

6. During the year 200,000 shares were issued for net cash proceeds of \$ 80,000.00 and 49,000 shares were issued for mineral properties at an attributed value of \$ 20,630.00.

Of the 776,500 shares issued for mineral claims, 207,000 shares are held in escrow subject to release only with the consent of the Vancouver Stock Exchange.

A share option is outstanding to certain of the directors as follows:

40,000 shares at 30¢ each by September 1, 1974

7. During the year remuneration was paid to the directors and senior officers in respect of salaries for general management and supervision in the amount of \$ 3,800.00.

A company with which two of the directors were associated was paid \$ 4,570.00 for management and office services

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 1974

	Balances at March 31, 1973	Expenditures during year	Charged to deficit during year	Balances at March 31, 1974
EXPLORATION EXPENDITURES - per attached schedule	\$ <u>171,242.34</u>	\$ <u>34,541.14</u>	\$ <u>21,481.01</u>	\$ <u>184,302.47</u>
ADMINISTRATIVE EXPENDITURES				
Salaries and benefits	34,535.84	2,366.96	8,074.33	28,828.47
Rent and telephone	6,796.10	500.67	1,596.53	5,700.24
Printing and advertising	9,133.27	4,618.25	3,008.83	10,742.69
Legal and accounting fees and disbursements	22,437.66	9,384.61	6,962.72	24,859.55
Stock transfer expense	7,004.68	2,306.05	2,037.19	7,273.54
Stock exchange fees	5,357.41	1,148.00	1,423.38	5,082.03
Interest expense	863.67	512.80	301.17	1,075.30
Travel expense	1,042.28	1,494.96	555.15	1,982.09
Management and supervision		4,500.00	984.60	3,515.40
Depreciation	1,823.49	1,993.68	835.20	2,981.97
Other	6,173.12	1,360.18	1,648.29	5,885.01
	<u>95,167.52</u>	<u>30,186.16</u>	<u>27,427.39</u>	<u>97,926.29</u>
Less interest earned	<u>6,525.12</u>	<u>2,121.91</u>	<u>1,891.97</u>	<u>6,755.06</u>
Total administrative expenditure	<u>88,642.40</u>	<u>28,064.25</u>	<u>25,535.42</u>	<u>91,171.23</u>
TOTAL DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURE, to balance sheet	\$ <u>259,884.74</u>	\$ <u>62,605.39</u>	\$ <u>47,016.43</u>	\$ <u>275,473.70</u>

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

SCHEDULE OF DEFERRED EXPLORATION EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 1974

	Balances at March 31, 1973	Expenditures during year	(Charged) or credited to deficit during year	Balances at March 31, 1974
EXPLORATION				
Vancouver Island, Alberni Mining Division, Province of B.C.	\$ 84,369.42	\$ 4,600.00	\$ (2,545.33)	\$ 86,424.09
Hart River area, Mayo Mining District, Yukon Territory	<u>55,576.49</u>			<u>55,576.49</u>
Pelly and Nahanni Rivers area, Watson Lake Mining District, Yukon Territory	5,137.20	3,726.77		8,863.97
Less recovered during year through sale of portion of claims		(8,225.00)		(8,225.00)
	<u>5,137.20</u>	<u>(4,498.23)</u>		<u>638.97</u>
Pelly and Nahanni Rivers area, Nahanni Mining District, Northwest Territories	9,576.18	3,560.75		13,136.93
Less recovered during year through sale of portion of claims		(23,175.00)	10,038.07	(13,136.93)
	<u>9,576.18</u>	<u>(19,614.25)</u>	<u>10,038.07</u>	<u>-</u>
Ross River area, Watson Lake Mining District, Yukon Territory		<u>24,764.44</u>		<u>24,764.44</u>
Kamloops Mining Division, Province of B.C.				
Tranquille area	2,940.67	4.31		2,944.98
Other areas	8,278.91	1,757.99	(10,036.90)	-
	<u>11,219.58</u>	<u>1,762.30</u>	<u>(10,036.90)</u>	<u>2,944.98</u>
Quesnel and Maeford Lake area, Cariboo Mining Division, Province of B.C.	<u>3,368.11</u>	<u>160.00</u>		<u>3,528.11</u>
Robb Lake area, Liard Mining Division, Province of B.C.				
TRIM claims	1,995.36	212.50		2,207.86
INBE claims		4,375.60		4,375.60
	<u>1,995.36</u>	<u>4,588.10</u>		<u>6,583.46</u>
Faro area, Whitehorse Mining District, Yukon Territory		<u>3,527.38</u>		<u>3,527.38</u>
Bonnet Plume River area, Mayo Mining District, Yukon Territory		314.55		314.55
Sundry areas		<u>18,936.85</u>	(18,936.85)	
TOTAL DEFERRED EXPLORATION - to Statement of Deferred Exploration and Administrative Expenditure	\$ <u>171,242.34</u>	\$ <u>34,541.14</u>	\$ <u>(21,481.01)</u>	\$ <u>184,302.47</u>

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED MARCH 31, 1974

(With comparative figures for the year ended March 31, 1973)

	Year ended March 31, 1974	Year ended March 31, 1973
BALANCE AT BEGINNING OF THE YEAR - surplus	\$ <u>17,135.20</u>	\$ <u>15,432.50</u>
PROFIT (LOSS) ON DISPOSAL OF INVESTMENTS	<u>(19.00)</u>	<u>6,606.75</u>
EXCESS RECOVERY THROUGH SALES AGREEMENTS OF EXPLORATION EXPENDITURES ON THE TO, HAT AND NOR CLAIMS GROUP	<u>10,038.07</u>	
EXPLORATION EXPENDITURES ON AND INVESTIGATION OF MINERAL PROPERTIES ABANDONED		
Vancouver Island, Alberni Mining Division, Province of British Columbia	(2,545.33)	
Kamloops Mining Division, Province of British Columbia	(10,036.90)	(3,137.46)
State of South Australia, Australia, portion of advances for exploration on special mining leases	(16,666.67)	
MacKenzie Mining District, Northwest Territories	(11,109.19)	
Sundry areas	<u>(9,827.66)</u>	<u>(316.59)</u>
	<u>(50,185.75)</u>	<u>(3,454.05)</u>
ADMINISTRATIVE EXPENDITURES - portion relating to above exploration expenditures	<u>(25,535.42)</u>	<u>(1,450.00)</u>
BALANCE AT END OF THE YEAR - to Balance Sheet	\$ <u><u>48,566.90</u></u>	\$ <u><u>17,135.20</u></u>

CREAM SILVER MINES LTD.
(NON-PERSONAL LIABILITY)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED MARCH 31, 1974

(With comparative figures for the year ended March 31, 1973)

	Year ended March 31, 1974	Year ended March 31, 1973
SOURCE OF FUNDS		
Refund of deposit on application for Northwest Territories prospecting permit	\$ 18,000.00	
Proceeds from the sale of shares from the treasury	<u>80,000.00</u>	\$ 125,000.00
Payments received under agreements for optioning or vending interests in mineral properties:		
DV, KB and GATE claims group, Kamloops Mining Division, Province of British Columbia		3,000.00
YUK and PAT claims group, Watson Lake Mining District, Yukon Territory	8,225.00	
TO, HAT and NOR claims group, Nahanni Mining District, Northwest Territories	23,175.00	
KO claims group, Whitehorse Mining District, Yukon Territory	<u>7,350.00</u>	
	<u>38,750.00</u>	
Gain on disposal of investments		6,606.75
Interest income	<u>2,121.91</u>	3,082.87
Receipts of 100,000 escrowed shares of Belmoral Mines Ltd. (Non-Personal Liability) in exchange for investment in and advances to that company (a former subsidiary)		1,294.35
	<u>138,871.91</u>	<u>138,983.97</u>
APPLICATION OF FUNDS		
Investment in shares of Trident Resources Inc.	8,380.00	
Purchase of equipment	<u>839.09</u>	<u>2,782.50</u>
Acquisition of interest in library of mining books	1,000.00	
Acquisition of interests in mineral properties	<u>59,750.00</u>	<u>14,500.00</u>
Exploration and administrative expenditure, per attached statement	62,605.39	92,011.81
Add: Interest income - included as source above	2,121.91	3,082.87
Payments under property agreements - included as source above	31,400.00	
Deduct: Non cash expenditures - depreciation	<u>(1,993.68)</u>	<u>1,825.86</u>
	<u>94,133.62</u>	<u>93,268.82</u>
Deposit on application for Northwest Territories prospecting permit		18,000.00
Loss on disposal of investments	19.00	
	<u>164,121.71</u>	<u>128,551.32</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(25,249.80)</u>	10,432.65
WORKING CAPITAL AT BEGINNING OF YEAR	<u>121,370.79</u>	<u>110,938.14</u>
Represented by	\$ <u>96,120.99</u>	\$ <u>121,370.79</u>
Current assets	\$ 118,229.39	\$ 164,250.74
Current liabilities	<u>22,108.40</u>	<u>42,879.95</u>
	\$ <u>96,120.99</u>	\$ <u>121,370.79</u>

